



# Long Term Care University

## Long Term Care University – Question of the Month

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**Q: Since purchasing long term care insurance is such an important financial decision for us, it is critical to understand the industry's claims paying history. What important factors should we know about the industry's claims paying history?**

### **The Problem – Concerns About Long Term Care Insurance Claims Approvals**

With virtually every type of insurance you are concerned about your claims being denied. Even with something as simple as life insurance, your claim can be denied if you commit suicide in the first two years of your policy. Every now and then reputable periodicals, like *The New York Times*, will run stories questioning the merits of insurance – I guess controversy sells.

On March 26, 2007, *The New York Times* published an article entitled, "Aged, Frail and Denied Care by Their Insurers". The article stated, "In 2003, a subsidiary of Consec, Bankers Life and Casualty, sent an 85-year-old woman suffering from dementia the wrong form to fill out, according to a lawsuit, then denied her claim because of improper paperwork. Last year, according to another pending suit, the insurer Penn Treaty American decided that a 92-year-old man had so improved that he should leave his nursing home despite his forgetfulness, anxiety and doctor's orders to seek continued care." **It is enough to scare you away from purchasing long term care insurance, unless you continue reading this article.**

### **The Solution – Facts About Long Term Care Insurance Approvals**

In April 2010, the U.S. Department of Health and Human Services Assistant Secretary for Planning and Evaluation Office of Disability, Aging and Long-Term Care Policy completed a study entitled, "National Long-Term Care Insurance Claims Decision Study: An Empirical Analysis of the Appropriateness of Claims Adjudication Decisions and Payments". The study was based on a significant number of claims for analysis from the seven largest long term care insurance carriers, comprising over 70% of in-force claims on tax qualified policies. Tax qualified policies have standard language and criteria used when adjudicating these types of policies -- criteria are more uniform and verifiable. **The auditors in the study above concluded that they would have approved 5% fewer cases than the insurance carriers actually approved.**

Long term care insurance companies approve the vast majority of claims they receive. **The two largest long term care insurance companies, Genworth and John Hancock, each have approximately 95% claims approval rates.** In the case of John Hancock, the main reason for denials is that the policyholder is not yet eligible for benefits (e.g.: unable to perform one activity of daily living instead of the two required by the policy). According to the California State University Emeritus and Retired Faculty Association (CSU-ERFA), the CalPERS LTC Program approved approximately 91% of claims (from the Program inception through December 31, 2006). The ratio of complaints to policyholders is also important – the lower the ratio, the better. According to *The New York Times* article, Consec received more than one complaint regarding long term care insurance for every 383 such policyholders, versus Genworth's one complaint for every 12,434 policyholders (according to data from the insurance commissioners' association).

### **Understand What Is Required to Have Your Claims Approved**

Most long term care insurance policies require your inability to perform two or more of your six activities of daily living (bathing, dressing, eating, transferring, continence and toileting) or severe cognitive impairment to approve your claims. Unfortunately, many policies require your inability to perform three or more activities of daily living – making it more difficult to have your claims approved. Clearly understand what your policy covers. A "facilities plan" provides benefits only in nursing homes, assisted living facilities, and residential care facilities, while a "**comprehensive plan**" provides benefits in home and community care settings. Understand the benefits of your policy before purchasing it.

### **Action Step – Understand the Facts About Long Term Care Insurance Claims Approvals**

Although the vast majority of claims across the industry are approved, choose a company with a good claims approval history before purchasing your long term care insurance policy.

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